

## Wage negotiations – Strong real wage increase of 1.5%, on the back of contained inflation levels

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- **Wage negotiations (June): 4.4%; Banorte-Ixe: 4.1%; previous: 4.3%**
- **Wages in the private sector increased 4.4%, while in the public sector workers negotiated on average a 3.5% raise**
- **In our opinion, the favorable increase in real wages augurs well for consumption dynamism ahead**

**Wage negotiations in June came in at 4.4% in nominal terms (Banorte-Ixe: 4.1%).** The negotiations in June were slightly above with the 4.3% average observed year-to-date. We highlight that June's figure was derived from a 4.4% increase in private sector wages coupled with an increase of 3.5% in the public sector. Moreover, most of the negotiations were conducted in the private sector (749 of the 773 negotiations that took place), with the bulk of workers also belonging to this sector (97,269 of the 106,288 workers), as shown in the following table.

### Contractual wage negotiations % oya

Nominal	Jun-15	May-15	Jan-Jun, 15	Jan-Jun, 14
<b>Total</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>
Public	3.5	3.6	3.5	3.7
Private	4.4	4.4	4.5	4.4
<b>In Real Terms</b>				
<b>Total</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>0.4</b>
Public	0.6	0.7	0.4	-0.1
Private	1.5	1.4	1.4	0.5
<b>Number of workers, thousands</b>				
<b>Total</b>	<b>106</b>	<b>156</b>	<b>1,132</b>	<b>1,032</b>
Public	9	18.7	183	185
Private	97	137	949	847

Source: Banorte-Ixe; Ministry of Labor

**Negotiations in the industrial sector were marginally below the figure observed in June 2014 (4.5% vs. 4.6%).** In the construction sector, wage increases were at 4.3%, slightly above the 4% observed in the same period last year. In the mining sector, wage increases were in the area of 5.6%, below the ones negotiated in June 2014 (6%). In the manufacturing sector, wages increased 4.3% vs. 4.4% observed in the same period of 2014.

**Bargaining processes in the services sector also resulted below the ones obtained in June 2014 (4.3% vs. 4.5%).** In the retail sector, wage increases were up 3.7% vs. the 4% observed in the same month of 2014.

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In the financial services sector, wages improved 5.4%, significantly below the 10.6% in June 2014. Moreover, in the educational services sector, wage increases were up in the area of 3.6%, marginally above the 3.5% observed in June 2014.

In this regard, we believe that June's figure in this sector was mainly driven by wage increases in the *Union of the Academic Workers in Oaxaca's University* and in the *National Union of Education Workers*. Moreover, workers in the professional services sector negotiated wages by 4.4%, above the 4% in June 2014. Similarly, in transportation, storage and communications sector, wage increases were at 4.2% in line with the figure observed last year.

**Finally in the agricultural sector, negotiations were conducted in the area of 4.4%.** We highlight that the average observed year-to-date for this sector is 4.1%, as shown in the following table.

**Contractual wage negotiations in June 2015**

	Year-to-date				
	% oya	Workers	% oya	Workers	2014
<b>Total</b>	<b>4.4</b>	<b>106,288</b>	<b>4.3</b>	<b>1,132,385</b>	<b>4.1</b>
Public	3.5	9,019	3.4	183,235	3.6
Private	4.4	97,269	4.4	949,150	4.4
<b>Breakdown by sector</b>					
<b>Industrial</b>	<b>4.5</b>	<b>48,886</b>	<b>--</b>	<b>591,667</b>	<b>--</b>
Mining	5.6	1,885	5.6	15,659	4.2
Manufacturing	4.3	46,293	4.5	479,908	4.5
Construction	4.3	554	4.3	1,657	4.5
Utilities	4.0	154	3.4	94,443	3.5
<b>Services</b>	<b>4.3</b>	<b>56,751</b>	<b>--</b>	<b>535,695</b>	<b>--</b>
Commerce	3.7	15,659	4.3	105,169	4.3
Transport, storage and communications	4.2	14,992	3.9	83,636	3.9
Financial services	5.4	15,764	4.6	97,388	4.6
Other	4.3	10,336	4.8	249,502	4.6
<b>Agricultural</b>	<b>4.4</b>	<b>651</b>	<b>4.1</b>	<b>5,023</b>	<b>4.3</b>

Source: Banorte-Ixe; Ministry of Labor

**In our opinion, the favorable increase in real wages augurs well for consumption dynamism ahead.** June's wages –in real terms- posted a 1.45% increase, its highest level since June 2001. Year-to-date and in real terms wage negotiations had a 1.22% increase. However, we continue to believe that increases in contractual wages in the past months respond mostly to a recovery period of lost productivity, and do not imply that firms perceive greater inflationary pressures, given that inflation stands below 3% in June. In this regard, we highlight that real wages in Mexico have shown a significant lag with respect to the pace of growth in formal employment. Additionally, broader measures of wages remain stable.

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